Down fall in industrial growth

516. SHRI NARENDRA MOHAN: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether it is a fact that industrial growth fell to 2.2% during the first eight months of the current financial year as compared to 6% during the same period of last fiscal year;

(b) if so, what are the reasons for this drastic downfall and what was the anticipated industrial growth for the current financial year; and

(c) what steps have been taken to ensure that industrial growth maintains the anticipated growth pattern during the remaining period?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (DR. RAMAN SINGH): (a) Yes, Sir.

(b) The decleration in industrial growth has been attributable to a number of structural and cyclical factors such as:

- Investment and business cycles.
- Inherent adjustment lags of corporate restructuring.
- Lack of both consumer and investment demand.
- continued high real interest rates.
- Infrastructure constraints particularly in power.
- Delays in establishing crediable institutional and regulatory framework to provide the requisite comfort level for private participation in some key sectors have also dampened private investment and industrial production.
- Lack of reforms in land and labour markets.
- Continued economic slowdown in countries that are major trading partners of India, viz., USA, Japan, and European Union.

The Planning Commission has set an annual average target of 8.2% for the industrial sector during the Ninth Plan period. The CSO has estimated a growth rate of 3.3% during 2001-02 for the manufacturing sector.

(c) The Government has taken several policy initiatives to boost industrial production in the country. These measures have been targeted to improve competitiveness of Indian industry in general and to boost aggregate demand, improve infrastructure base, upgrade technology, introduce labour flexibility and encourage FDI flows. Some of the initiatives taken recent / proposed to be taken are briefly mentioned below:

- Public spending out of the budgetary allocations has been stepped up. Government has already identified several 'last mile projects' under various ministries for speedy completion.
- DIPP has proposed to conduct sector-wise studies in respect of capital goods, electrical manufacturing, pulp and paper and cement industries with a view to enhance the competitiveness of these industries.
- Companies Act has been amended to allow buy-back of shares, by the companies.
- To deepen reforms in stock exchanges and to provide protection to the investors, Union Budget 2002-2003 proposes amendments in SEBI Act 1992.
- the Government has announced guidelines for allowing 100% FDI in the development of integrated townships and regional urban infrastructure. This is expected to boost housing / real estate sector and also boost production in cement and steel sector.
- to boost Foreign Institutional Investment (FII) in India, FII portfolio investments will not be subject to the Sectoral limits for foreign direct investment except in specified sectors.
- Mid term Export strategy for 2002-07, to lay stress on effective tax rebate schemes to help exporters. These include transparent and comprehensive schemes of reimbursement, comprehensive VAT system at every level, rebating service tax besides lower customs and excise duties for major inputs needed for exports, which can minimise the need for duty drawback.
- Sector-wise stragies to boost production for exports in key sectors, which include engineering / electronic / electrical and allied, textiles, gems and jewellery, chemicals and allied sector have also been announced.

- To reduce infrastructure bottlenecks several incentives have been announced in the Union Budget 2002-03 for improvement in power, roads, civil aviation and ports.
- The Golden Quadrilateral project will be substantially completed by December 2003-a year ahead of schedule, major ports to be corporatised in a phased manner and an allocation of Rs. 2500 crore has been made for the Pradhan Mantri Gramin Sadak Yojana for 2002-03.
- Infrastructure equity fund of Rs. 1000 crore will be set up to help in providing equity investment for infrastructure project. Total Plan outlay on infrastructure in power, roads and railway is Rs. 37919 crores.
- Union Budget 2002-03 propose abolition of 16% special excise duty on all, except eight items.
- Additional 15% depreciation on new plant and machinery.
- Reduction of peak rate of custom duty to 30%, rationalisation of custom duty rates to two duty rates by 2004-05.
- Budget 2002-03 announced special incentives for textile industry.
- Measures to boost Housing sector such as repeal by the States of the rules under the Urban Land Ceiling Act, rationalisation of high stamp duty regimes proposed in the Union Budget 2002-03.

Boost to FDI

517. SHRI RAMDAS AGARWAL: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the steps Government have taken so far stepping up the Foreign Direct Investment (FDI) in line with target of $ 8-9 billion from present $2.5-3 billion during Tenth Five Year Plan period;

(b) whether Government have made any study to remove more sectoral caps on FDI in comparison to other countries, particularly after globalisation;

(c) if so, the details thereof;

(d) what is flow of FDI this year in comparison to the last year, country-wise, FIs-wise, total amount-wise, source-wise and in which form; and